

*The Obama administration has pushed GM into bankruptcy reorganization and gave it some of the TARP funding to help the process along. Do you think this was the best way to handle the failing company? Why or why not?*

I believe that it was important to keep GM from failing precipitously and completely because of the extremely high number of job losses that would have immediately occurred if it had failed.

This would have pushed the economy further and much deeper into recession. However, I disagree with almost everything else the Obama administration has done with the company since.

Sixty billion dollars is far too much taxpayer investment in this company and taxpayers are highly unlikely to get their investment back. The way that the administration has dictated winners and losers in this bankruptcy is an astounding abuse of presidential power. Bondholders, dealers and stockholders were wiped out or forced to take huge losses, meanwhile the United Auto Workers union was able to take a smaller loss even though they have less security and were a contributing factor to the failure of GM.

Furthermore, GM is now a subsidiary of the federal government and is run by the government and the union.

This is not, and has never been, a prescription for future success. What will likely happen with GM in the future is what should be happening to it now. This future will likely consist of liquidation and the selling off of component parts (brands like Cadillac and Chevrolet) to new owners who understand the car business and can make them work without the baggage of the past or the control and politics of the government. Under this scenario we could respect contracts (which the administration is not doing) and put in significantly less taxpayer money.

I fear this is mirroring the folly of British Leyland, which was taken over by the British government and its unions during the 1970s. The company failed and the brands were sold off. We still have Jaguars, Rovers, Mini Coopers, Aston Martins and the like, but they are viable again because they are not being run by a government/union entity.

Moreover, I am sorry to say, it doesn't end there. This discussion hasn't even begun to account for the huge conflict of interest the UAW now has because it owns part of GM and Chrysler but still represents the workers at Ford.

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